

## Message Text

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FM SECSTATE WASHDC

TO WHITE HOUSE IMMEDIATE

TREASURY IMMEDIATE

S E C R E T STATE 257769

NODIS

WHITE HOUSE FOR PRESIDENT AND BRZEZINSKI

FOLLOWING REPEAT TEHRAN 9505 ACTION SECSTATE 27 OCT 77

QUOTE

S E C R E T TEHRAN 9505

NODIS

PASS WHITE HOUSE FROM BLUMENTHAL

EO 11652: XGDS-4

TAGS: OVIP (BLUMENTHAL, W. MICHAEL), PFOR

SUBJ: SHAH-BLUMENTHAL MEETING

BLUMTO 64

1. THIS MESSAGE SUMMARIZES MY MEETING OF ABOUT ONE  
HOUR WITH THE SHAH AT HIS NIAVARAN PALACE ON OCTOBER  
27. SHAH HAD WITH HIM FINANCE MINISTER ANSARY. I

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WAS ACCOMPANIED BY UNDER SECRETARY SOLOMON AND STATE  
DEPUTY ASST. SECRETARY SOBER.

2. I BEGAN BY CONVEYING PRESIDENT'S REGARDS AND NOTED  
HE IS LOOKING FORWARD TO SHAH'S VISIT TO WASHINGTON AS  
WELL AS TO PRESIDENT'S EARLY RETURN VISIT TO TEHRAN  
(IF PROGRESS ON ENERGY BILL PERMITS). I ADDED THAT

PRESIDENT HAD WANTED ME TO VISIT TEHRAN AND TO SEE SHAH TO UNDERLINE THE IMPORTANCE OF RELATIONSHIP BETWEEN OUR TWO COUNTRIES. SHAH RESPONDED THAT HE TOO WAS LOOKING FORWARD TO HIS WASHINGTON VISIT AND OCCASION TO DISCUSS WITH PRESIDENT MANY MATTERS OF INTEREST IN OUR VERY "EXTENSIVE AND INTERWOVEN" RELATIONSHIP.

3. ECONOMIC SITUATION AND ENERGY MATTERS. SHAH TOOK THE LEAD IN REFERRING TO ECONOMIC PROBLEMS (E.G., INFLATION, UNEMPLOYMENT) NOW BEING EXPERIENCED IN THE U.S. AND EUROPE. HE EXPRESSED SYMPATHY BUT ALSO HIS FEELING THAT STRONG MEASURES ARE NEEDED. IN THIS CONTEXT HE SAID WESTERN COUNTRIES' ENERGY POLICY CAN NO LONGER BE BASED ON AVAILABILITY OF CHEAP OIL. IT IS ESSENTIAL TO PLAN AHEAD FOR TIME WHEN OIL WILL BE FINISHED. HE BELIEVES A CONCERTED EFFORT TO FIND ALTERNATIVE ENERGY SOURCES IS NEEDED. AT THIS POINT HE REFERRED APPROVINGLY TO PRESIDENT'S ENERGY BILL.

4. SHAH SAID HE IS GOING AHEAD WITH IRAN'S OWN NUCLEAR POWER PROGRAM: IRAN HAS ALREADY ORDERED PLANTS FROM GERMANY AND FRANCE, AND HAS ALSO RAISED SUBJECT WITH SOVIETS (WHO SAID THEY'RE INTERESTED BUT NEED ANOTHER COUPLE OF YEARS). HE  
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HAD HAD IN MIND TO PURCHASE SIX-EIGHT NUCLEAR POWER PLANTS FROM US. IN THAT CONNECTION SHAH SAID HE COULD CATEGORICALLY ASSURE US THAT IRAN HAD NO INTENTION OF MAKING ATOMIC WEAPONS; HE ADDED THAT IRAN HAD NO INTEREST IN HAVING ITS OWN REPROCESSING PLANT, WHICH WOULD NOT BE ECONOMICAL. MEANWHILE, IRAN HAD INVESTED IN ENRICHMENT FACILITIES IN EUROPE. HE WAS OPEN-MINDED AND HAD MADE NO DECISION ON QUESTION OF FAST BREEDER, AND ALSO ON POSSIBILITIES OF FUSION. IN ADDITION, HE WAS INTERESTED IN POSSIBILITIES OF SOLAR ENERGY, AND IF WE WERE INTERESTED WE COULD DISCUSS SUBJECT AND "EVEN SIGN SOMETHING."

5. AS FOR OIL PRICES, SHAH VOLUNTEERED THAT IT HAD BEEN DECIDED THAT IRAN SHOULD NOT TAKE A STRONG POSITION IN OPEC AT THIS TIME. "WE DON'T WANT TO BE KNOWN AS HAWKS." IRAN HAD SOUGHT PRICE INCREASES AFTER MANY YEARS DURING WHICH PRICES HAD BEEN KEPT UNFAIRLY LOW. EVEN NOW THE OIL COMPANIES WERE MAKING VERY GREAT PROFITS. BUT NOW IN OPEC "WE'LL SIT AND WATCH. IF YOU WANT NO INCREASE, OR A VERY SMALL

INCREASE, WE'LL SAY NOTHING." BUT, HE ADDED, THIS IS ONLY A TEMPORARY STEP, AND PEOPLE MUST LOOK AHEAD.

6. INASMUCH AS SHAH HAD ANTICIPATED THE POINTS ON WORLD ECONOMIC SITUATION AND OIL PRICING WHICH I HAD INTENDED TO MAKE, AND SINCE HE HAD VOLUNTEERED THAT IRAN WOULD NOT BE SEEKING A PRICE INCREASE AT THE DECEMBER OPEC MEETING, I DID NOT PURSUE THAT POINT FURTHER. I DID SAY, HOWEVER, THAT I BELIEVED THE SHAH WOULD FIND A GREAT DEAL IN COMMON WITH THE PRESIDENT REGARDING ENERGY POLICY. I NOTED THAT PRESIDENT WAS DEEPLY INVOLVED IN WORKING WITH THE CONGRESS ON A POLICY EMPHASIZING CONSERVATIONS BUT LOOKING ALSO TO NEW SOURCES.

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I SAID PRESIDENT VERY WELL APPRECIATED FACT THAT WE HAD TO DO OUR BEST TO SOLVE OUR OWN PROBLEMS AND NOT DEPEND ENTIRELY ON OTHERS TO SOLVE THEM FOR US (AND PRICE RESTRAINT BY THE OIL PRODUCERS HAD TO BE SEEN IN THIS CONTEXT). PRESIDENT'S PROGRAM CONTAINS TAXATION ELEMENTS TO ENCOURAGE CONSERVATIONS AND R&D EFFORTS TO DEVELOP NEW ENERGY SOURCES. PRESIDENT HAD HIMSELF SPOKEN ELOQUENTLY ON OIL COMPANY PROFITS. ALL IN ALL, I SAID, THE SHAH WOULD FIND THAT PRESIDENT AND HE WERE ALLIES IN THE SEARCH FOR A RATIONAL ENERGY POLICY AND WE AGREED THAT BOTH SHARED A RESPONSIBILITY IN EFFORT TO OVERCOME CURRENT ECONOMIC DIFFICULTIES.

7. ARMS SUPPLY. SHAH SAID IRAN HAD BEGUN TO RESENT BEING CLASSIFIED BY THE CONGRESS AS JUST "ANOTHER PERSIAN GULF COUNTRY". IRAN'S POPULATION OF 35 MILLION HAD TO BE COMPARED WITH THE TOTAL POPULATION OF 8-9 MILLION IN ALL THE OTHER STATES OF THE PERSIAN GULF. IRAN, HE SAID, MUST BE ALERT TO EVENTS IN THE REGION TO THE EAST (HE CITED AFGHANISTAN, PAKISTAN AND INDIA) AND TO THE WEST (IRAQ, HE SAID, MAY EVENTUALLY HAVE MORE WEAPONS THAN IRAN; ITS STOCKS ARE BEING REPLACED BY THE SOVIETS). IRAN CAN ASSUME A PRIMARY RESPONSIBILITY TO HELP MAINTAIN SECURITY IN THE INDIAN OCEAN REGION. IRAN CANNOT AFFORD TO BE TAKEN BY SURPRISE, OR TO DEPEND ENTIRELY ON THE U.S. OR THE UN FOR ITS SECURITY; IN FACT, IT COULD NOT DEPEND ON THE UN AT ALL. HE ASKED WHETHER THE U.S. WOULD HONOR ITS BILATERAL AGREEMENT WITH IRAN. IF YES, WOULDN'T IT BE BETTER THAT IRAN DO THE JOB ITSELF. IT WOULD LIKE THE U.S. TO SUPPLY MOST OF ITS MILITARY EQUIPMENT REQUIREMENTS.

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IT COULD NOT FORCE US TO DO SO, AND OTHERS WERE READY. SHAH SAID HE WILL WANT TO DISCUSS THESE MATTERS WITH THE PRESIDENT, AND "WILL NEED STRAIGHT ANSWERS."

8. I SAID WE WERE KEENLY AWARE OF IRAN'S IMPORTANCE IN THIS REGION OF THE WORLD, AND THE GREAT ROLE IT MUST PLAY. IN THAT CONTEXT I MENTIONED PRESIDENT'S DEEP DESIRE TO AVOID A GLOBAL PROLIFERATION OF ARMS SALES. WE REMAIN THE MAJOR SELLER, AND AS THE SHAH KNEW, PRESIDENT HAD HAD DIFFICULTIES WITH THE CONGRESS ON SALES TO IRAN. I SAID I WAS SURE HE WOULD FIND PRESIDENT UNDERSTANDING OF HIS PROBLEMS.

9. SHAH SUGGESTED THAT A CURB ON ARMS SALES SHOULD BE STARTED BY THE SUPERPOWERS AND BY THOSE COUNTRIES WHICH HAVE TAKEN TERRITORY FROM OTHERS. THE CASE OF COUNTRIES WHICH COULD MANUFACTURE ARMS THEMSELVES ALSO HAD TO BE CONSIDERED. HE THEN ADDED THAT HE HAD NO COMPLAINTS AGAINST USG ON THIS SCORE. HIS COMPLAINT WAS AGAINST THOSE PEOPLE WHO TALK OF NEED FOR BALANCE AMONG THE PERSIAN GULF STATES. IN THIS REGARD HE ASKED WHETHER IT WOULD BE PROPER TO DEMAND THAT A BALANCE BE MAINTAINED BETWEEN THE U.S. AND ECUADOR; AND HE NOTED THE POTENTIAL THREAT OF BAATH IMPERIALISM (PER IRAQ) OVER THE ARAB WORLD. HE DID WISH TO NOTE ONE ADDITIONAL POINT: THE FIVEFOLD INCREASE (SIC) IN U.S. ARMS PRICES SINCE 1971.

10. TERRORISM; LAW AND ORDER. SHAH NOTED THAT WESTERN FRIENDS ARE NOW FINDING THAT THEY MUST TAKE STRONG MEASURES AGAINST TERRORISM (I BELIEVE HE WAS REFERRING TO WEST GERMANY). HE HAD BEEN TALKING ABOUT THIS NEED FOR YEARS. LAW AND ORDER IS ESSENTIAL TO DEAL WITH PROBLEMS. (MY INFERENCE IS THAT HE MADE THIS POINT IN JUSTIFICATION OF IRANIAN SECURITY MEASURES WHICH HAVE BEEN CRITICIZED ABROAD.)

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11. HUMAN RIGHTS. I NOTED AT THAT POINT MY CONVICTION THAT PRESIDENT'S POLICY ON HUMAN RIGHTS REFLECTED A DEEP FEELING ON THIS SUBJECT AMONG THE AMERICAN PEOPLE. THE POLICY WAS TO BE CARRIED OUT IN AN UNDERSTANDING OF THE BROADER POLITICAL CLIMATE, AND WITHOUT INTERFERING IN OTHER PEOPLE'S BUSINESS OR LECTURING TO THEM.

THE SHAH SAID IRAN TOO WANTS SOCIAL JUSTICE. THIS INCLUDES JUSTICE IN THE ECONOMIC FIELD AS WELL AS THE POLITICAL; THE FORMER IS PERHAPS EVEN MORE IMPORTANT THAN THE LATTER. THIS, HE SAID, IS A CARDINAL POLICY OF THE IRANIAN GOVERNMENT. HE ADDED THAT SOME USE TERRORISM IN THE NAME OF HUMAN RIGHTS TO JUSTIFY THEIR OWN CRIMES.

12. NORTH/SOUTH PROBLEMS. THE SHAH WARNED THAT FAILURE TO RESOLVE NORTH/SOUTH PROBLEMS WITH FAIRNESS TO BOTH SIDES COULD LEAD TO A CONFLAGRATION BY YEAR 2000. CONCENTRATION OF WEALTH IN A SMALL NUMBER OF COUNTRIES IS VERY RISKY OVER LONGER TERM. AS IRAN HAD PREDICTED, THE NORTH/SOUTH DIALOGUE IN PARIS HAD BEEN A FAILURE. THE TIMING OF THE PARIS MEETING HAD BEEN POOR; UNEMPLOYMENT WAS HIGH IN THE EUROPEAN COUNTRIES, AND THEY COULD NOT MOVE.

13. IRANIAN ECONOMIC DEVELOPMENT; THE U.S. ROLE. THE SHAH BRIEFLY OUTLINED HIS POLICY TO BUILD UP HIS COUNTRY, NOTING PLANS TO ELECTRIFY THE RAILROADS AND VILLAGES, AND TO INDUSTRIALIZE IN DIVERSE FIELDS. STEEL OUTPUT COULD GO TO 25 MILLION TONS, COPPER TO 500,000 TONS AND MORE, ALUMINUM TO ONE MILLION TONS. HE ALSO MENTIONED ELECTRONICS. THE U.S. COULD HAVE A MAJOR SHARE OF IRAN'S TRADE. OUR SHARE COULD GO TO  
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\$50 BILLION OVER FIVE YEARS.

14. ARAB-ISRAEL. CONCLUDING OUR MEETING, I MENTIONED THE PRESIDENT'S COMMITMENT TO HELP BRING ARABS AND ISRAEL TO A JUST AND LASTING PEACE. SHAH SAID HE CONSIDERED PROSPECTS FOR ARAB-ISRAELI NEGOTIATIONS AS VERY POOR. HE SAW ISRAEL AS STUBBORN, AND THE PLO AS UNYIELDING. HE THOUGHT PLO, IF ESTABLISHED AS A STATE, WOULD DESTROY JORDAN, KUWAIT AND SAUDI ARABIA.  
SULLIVAN

UNQUOTE VANCE

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## Message Attributes

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